NHCNews Briefs

Industry Update

National to move exec offices

SANTA ANA, Calif. — National Lumber plans to move its executive offices here to a 23,000-sq.-ft. suite of offices in the nearby city of Fountain Valley to make more space available for the chain's distribution center, according to president Mel Jaffe.

The move, expected to take place early next year, involves about 80 headquarters-based employees. The parking lot in the Santa Ana facility will be used for outside lumber storage, Jaffe said. The Fountain Valley site formerly was a gymnasium that is currently being remodeled.

Ace DC ground breaking set

LA CROSSE, Wis. — Ace Hardware will break ground in November on a 350,000-sq.-ft. distribution center, located on 22 acres in the Airport Industrial Park here, that will service 320 of its dealers and, according to company officials, "take the pressure off" its Toledo, Ohio, and Addison, Ill., facilities.

The La Crosse DC, the 12th for the 4,400-member hardware wholesale co-op based in Oak Brook, Ill., will carry 38,000 stock keeping units and $10 million in inventory at cost. The facility will be manned by 100 employees, and is expected to open in the fall of 1985.

In January of next year, Ace will open its 365,000-sq.-ft. DC in Little Rock, Ark., on a 28-acre site in the Maumelle Industrial Park. This facility, for which ground was broken on March 14, is expected to hire 90 workers, and stock the same amount of merchandise and inventory as the La Crosse facility.

It will service 370 Ace dealers in Arkansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and part of Texas.

Ace officials also note that the company, which began shipping from its 315,000-sq.-ft. Yakima, Wash., site in January, is looking all the way across the United States at a possible distribution facility in New England, although no specific locations have been chosen.

Wickes settles stockholder suits

SANTA MONICA, Calif. — In the aftermath of its emergence from Chapter 11 proceedings under the bankruptcy law (*NHCN*, Oct. 8), Wickes Cos. announced last month that former shareholders will receive $32 million in a settlement of class-action suits against the company.

The class action suits were filed in early 1982 by former shareholders of Gamble-Skogmo Inc., which merged with Wickes in 1980, and by Wickes' stockholders and creditors. They had claimed that Wickes' former management had made misleading statements to conceal the company's deteriorating financial condition.

The plaintiffs in the lawsuits will receive the $32 million by Feb. 1, 1985, Wickes said. Wickes will actually only pay a small amount of the settlement, with the bulk to be paid by several insurance companies.

There were a variety of lawsuits, subsequently consolidated, which originally had sought more than $100 million in damages. The plaintiffs were thousands of individuals who acquired Wickes' stock between Aug. 12, 1980, and April 23, 1982, the day before Wickes filed for Chapter 11.

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Ace joins retailers and suppliers in AT&T product discount plan

NEW YORK — The 4,600 independent dealers belonging to the Ace Hardware buying cooperative will soon be among thousands of retailers across the country taking advantage of a new product discount program that offers consumers credits based on their usage of AT&T long distance service.

Called "AT&T Opportunity Calling," the program has enlisted nearly 100 manufacturers, including such home improvement industry suppliers as Black & Decker, Armstrong and Stanley, who are offering discounts on their products in a catalog mailed to nearly 25 million AT&T customers.

"Opportunity Calling could be beneficial to all our dealers, providing a means for heightening the visibility of a wide variety of our products to consumers," said Frank Szymanek, Ace Hardware's merchandising vp, at a press conference at the Pierre Hotel here earlier this month. Representatives from Ace, the first home improvement company to join the program, Revere Ware, B. F. Goodrich and Casablanca Fan Co. were on hand to help AT&T, and its ad agency, Burson-Marsteller, kick off the Opportunity Calling program in time for the beginning of the Christmas selling season.

Szymanek said members of the Oak Brook, Ill.-based co-op are currently being notified on how to implement the program and how to process the Opportunity Calling savings certificates that customers bring to the stores.

Dealers would then be encouraged to hang window banners and to utilize point-of-purchase displays to make consumers aware that "Ace Hardware stores welcome the redemption of Opportunity Calling savings certificates," said Szymanek.

AT&T is providing promotional support with a $10 million advertising campaign that includes network television spots and ads in prominent consumer magazines, such as *Good Housekeeping*, *Readers Digest*, *Newsweek*, *People* and *TV Guide*. In addition to point-of-purchase materials, AT&T also provides sales support in the form of employee training brochures and a videotape presentation.

(Continued on page 74)

Scotty's posts robust gains in fiscal '84

WINTER HAVEN, Fla. — An improved economy, coupled with a more aggressive expansion policy and the offering of an expanded product line, were the main factors identified by Scotty's management for the chain's robust sales and earnings gains in fiscal 1984.

The release last month of its annual report for the year ended June 30 also reveals that the 110-unit chain will be experimenting with larger prototype retail outlets, and plans to devote more of its efforts toward the manufacturing end of its business and the training of its personnel over the next 12 months.

Scotty's saw its new income for the fiscal year skyrocket 60% to $18.1 million, or $1.39 per share, from revenues of $424.5 million, representing an 18.1% increase. Both sales and earnings figures are the highest in the company's 60-year history.

Sixty-two per cent of Scotty's volume came from consumer purchases during this period, with another 30% being derived from contractor sales. The remainder was generated by the company's commercial, export and mail-order businesses.

However, the chain made strides last year toward attracting a wider retail customer base by increasing its stock keeping units 20% to 12,000, even though total inventory, based on LIFO accounting procedures, rose only 11% to $69.8 million for the fiscal year.

The chain's total sales transactions were a record 18.6 million, or 12% above fiscal 1983, and each store averaged $4 million in sales. Sales per customer were $22.65, and a typical 39,000-sq.-ft. Scotty's store did $113.76 per square foot.

Scotty's is looking to generate more volume out of its units, and over the next few months will be opening prototype stores of 49,000 and 42,000 sq. ft., the latter to be used in smaller markets. Its first 49,000-sq.-ft. unit is scheduled to open in the Jacksonville-Mandarin section of Florida this fall, and the company plans to open three more units, and replace four existing stores, in the coming year.

In fiscal 1984, store count grew to 110 from 102 units the previous year, including the opening of three Scotty's Hardware stores, ranging in size from 8,000 to 12,000 sq. ft. Company officials report satisfaction with the sales results coming from these smaller units.

Scotty's placed itself on firmer financial ground during the past fiscal year, as it reduced its long-term debt 49% to $16 million, mostly as a result of redeeming its 9.75% debentures issued in March 1981, and converting them into common stock this April. The company also has more than $20 million in cash and securities remaining from its December 1982 public stock offering.

Its return on assets for the fiscal year was 10%, compared with 8.2% and 8.5% for the prior two fiscal periods.

In the immediate future, Scotty's is building new units in Ocala and Spring Hill, and relocating its St. Petersburg, Fla., site.

A point-of-sale computer system is currently being installed into all Scotty's stores, with 30 units having received the system by September of this year. The company is also building a 24,000-sq.-ft. data processing center in its corporate headquarters.

Also at the retail level, Scotty's planned to step up its ad-

(Continued on page 6)

Existing single-family home sales

(in thousands)

Source: Nat'l Assn. of Realtors

p = preliminary r = revised

Existing single-family home sales in August fell for the fourth consecutive month to 2.72 million units, seasonally adjusted—a 1.8% decrease from July, according to the National Assn. of Realtors.

The biggest decrease occurred in the Midwest, where the seasonally adjusted annual rate fell 6.7% to 700,000 units. Home sales in the West rebounded in August by 6% to 530,000 units, after falling some 15% the previous month.

The median sale price of an existing single-family home in the United States dipped $200 in August to $74,300.

Chase-Pitkin furthers saturation of Rochester

By Phillip M. Perry
NHCN associate editor

PENFIELD, N.Y. — Engaged in a new effort to obtain a firmer foothold in northwestern New York state, Chase-Pitkin opened its largest store to date in this eastern suburb of Rochester on Sept. 14.

The store incorporates new features such as bulk stacking of products, more imported merchandise and lower overall prices than the company's previous stores, and bar coding and wanding for all 30,000 stock keeping units at checkouts.

The new store, the 11th in the Rochester area chain, has 45,000 sq. ft. of display space and a 15,000-sq.-ft. semienclosed area for outdoor garden and nursery products. The chain's largest store previously was a 40,000-sq.-ft. unit, with 15,000 sq. ft. of semienclosed area, in Henrietta, N.Y.

"This store helps us complete the ringing of the city," said Underwood. "Penfield is a growth area in the region and has a lot of new housing."

Chase-Pitkin, whose annual sales are estimated at over $40 million, plans to build one or two additional stores in Rochester, a store in Syracuse within the next year and stores in smaller towns around Rochester in the next three years. Underwood did not reveal the total number of stores planned by the chain.

The chain's newest store is seen as a prototype for future Chase-Pitkin stores, in the areas of merchandising and the use of bar codes, according to Underwood, who said that "the goal of the new merchandising of the store is to strengthen our position in the minds of the consumers."

In particular, Underwood said the new store had an "entirely new promotional look" for the chain, accomplished through the use of H-frame racking to create a "bulk atmosphere" that projected a low price image for customers.

Underwood added that the actual prices of Chase-Pitkin merchandise had been reduced at the Penfield store for the first time, and that the lower prices had been rolled out, concurrently with the new store opening, to the other 10 units in the chain. Underwood did not specify how much lower the overall pricing had been reduced.

Lower prices had also been achieved, said Underwood, through the stocking of more imported merchandise.

"More and more of our competition has been adding imported merchandise in order to offer customers lower prices," said Underwood, adding that Chase-Pitkin has started doing the same thing in response to what has become a more competitive marketplace.

The Rochester market now has seven Grossman's, five K mart's, three Sears, three Gold Circle's and two 84 Lumber's.

The company plans to establish the same bar code ticket and wanding system in its other 10 stores as it has installed in the Penfield unit. However, Underwood noted there would be some delay getting the system going in the other stores. "The main hold-up is getting all of the inventory labeled with bar coded tickets," he said.

"The ultimate purpose for bar coding is to speed customers through checkouts and to eliminate errors on the part of cashiers," said Underwood. Using the new system, the cashier need only pass a wand over the bar coded ticket, and the point-of-sale terminal automatically prints the stock keeping unit number and price on the customer's receipt, and keeps track of the customer's total transaction.

Underwood added that the new bar coding system would also provide an up to date report on what was selling best during special sales.

Eighteen chains top $300,000 in half-year advertising figures

NATIONAL REPORT — More home centers spent over $300,000 on TV advertising in the first half of this year than ever before, as total home center TV ad expenditures for the "top 20" chains increased 25% during 1984's first six months, compared to the same period last year.

The Home Depot now joins Sutherland Lumber and Payless Cashways with half-year TV ad expenditures exceeding $1 million. The Payless Cashways chain, including Payless Cashways, Furrows and Lumberjack, spent $2.8 million on TV advertising over this period. (The Television Bureau of Advertising lists Payless, Furrows and Lumberjack separately on its ranking of the top 20 advertisers.)

During 1984's first half, Home Centers of America, West Building Materials, 84 Lumber, Handy Dan and Handy Andy joined the "top 20" ranks for the first time, according to the Television Bureau of Advertising (TVB).

New York-based TVB's figures come from data supplied by Broadcast Advertisers Reports (BAR). This organization monitors the top 75 markets in the United States, which totals 85% of TV's advertising dollar volume, according to TVB spokesman, Bob Grebe.

(Continued on page 43)

First half 1984 TV advertising expenditures

Chain	Expenditures Jan./June '84	Jan./June '83	% change
Payless Cashways (total)	$2,763,200	$2,526,900	+ 10
Payless Cashways	1,246,400	1,307,400	– 5
Furrows	1,128,400	1,007,300	+ 12
Lumberjack	388,400	212,200	+ 83
Sutherland Lumber	1,679,600	1,455,400	+ 15
Home Depot	1,302,500	877,800	+ 48
National Lumber	925,000	711,800	+ 30
Scotty's	886,700	550,800	+ 61
Hechinger Lumber	804,200	547,100	+ 47
Builders Emporium (Wickes)	774,400	1,380,200	– 44
Lowe's	751,500	630,300	+ 19
Plywood Minnesota	708,400	582,000	+ 22
Ole's Home Centers	650,700	379,900	+ 71
Home-Pro	599,300	84,600	+608
Mr. Goodbuys	516,800	378,500	+ 37
Menard Cashway	430,700	253,300	+ 70
West Building Materials	373,400	43,200	+764
Scott's	360,500	210,100	+ 72
84 Lumber	336,600	86,900	+287
Handy Dan	325,400	165,900	+ 96
Handy Andy	320,900	—	—

Source: Television Bureau of Advertising from analysis of Broadcast Advertisers Reports data; *NHCN* chart

More home centers spent above $300,000 on TV ads than ever before during the first half of 1984. Overall total TV ad expenditures for the first half of this year was up 25%.

Home Lumber is modifying its computer system to provide faster credit authorizations for its large commercial accounts. The names of people authorized to charge purchases appear instantly on computer screens when called up by employees. Courtesy Aid in Management

Independent's info needs spark software advances

By Marcia Spires
Special to NHCN

LAS VEGAS — Until a year ago, Home Lumber Company, the $25,000,000 independent, owned by 12-store A. C. Houston, functioned without computerized information processing. Yet, from what its employees have learned since computerizing, the operation has been instrumental in creating a new software program enhancement that will soon be available to other home center retailers.

Once Home Lumber computerized its operations, it found that customer service improved and accounts receivable were under better control. But one area still proved troublesome, because of demands peculiar to its large volume commercial accounts, which, along with contractor accounts, make up 80% of their business volume.

According to Terry Ono, general manager, "The root of the problem is that in our particular business, we sell buildings materials to many large hotels and casinos. For instance, the Hilton has a list of 30 to 40 people authorized to sign charge account bills. To check the authorizations, we used to need an in-

(Continued on page 73)

Long Island independent enters northern N.Y. suburbs

By Linda Lynton Carnevale
NHCN field editor

HAVERSTRAW, N.Y. — General Building Products opened its first store outside of its Long Island market, here in this northern suburb of New York City, as part of the new strategy that company executives expect will double total volume by the end of the year.

General Building Products—founded by president Bruce Meltzor in 1979 when he bought an old Triangle Pacific store in Medford, Long Island—reaped $17 million in sales last year. The four-unit company's sales are expected to reach $30 million this year.

However, about 80% of last year's volume came from contractors, so General Building Products has been aggressively chasing more retail sales by running retail print ads and radio spots on an ad budget that was increased 25% this year.

Now, a second step toward gaining more retail customers has been made by the opening of its new store here.

In this intensely competitive market, that could be seen as quite a tough proposition. The Rockland County/Westchester market area, north of metropolitan New York City, already has about 30 home centers and retail lumber and hardware suppliers based here, in addition to the units from large chains like Channel.

The Long island retailer arrived as an unknown entity to local consumers, for whom Long Island hardly exists due to the presence of New York City between the two areas.

Consequently, the company spent $50,000 on a grand opening on Sept. 22, that its executives felt have made the local people aware of its existence.

A local radio station broadcasted live from the store; sweepstakes were held for a host of prizes including a trip for two to Disneyland and a free kitchen; New York Giants linebacker Lawrence Taylor signed autographs; a jazz band and others performed as part of the day-long grand opening ceremony.

In total, 5,000 people attended the festivities, many of whom signed the sweepstakes cards giving the company access to demographic information.

These consumers also spent $15,000 in the 2,000-sq.-ft. store, which is expected to reap sales of $6 million in its first year. It opened in May, and had reaped $4,000 to $5,000 in daily sales on a customer base that has been 50/50 contractor to retail.

The main, Medford, store on Long Island already has such a customer distribution and reaped $12 million in sales last year, with the Northport and Hicksville stores—the latter opened last year—being primarily retail-oriented.

Despite its small size, the new store carries 14,000 stock keeping units. But much of this inventory is kept in 75,000 sq. ft. of warehouse facilities found in the adjacent five-acre lumber yard. The store had originally

(Continued on page 73)

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Entertainment was the front-page theme of flyers used to announce the grand opening of General Building Products' first store in the Rockland County/Westchester area, north of New York City.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Pay 'N Pak	8/31-2nd qtr. 8/31-6 mos.	$ 87,802 162,239	$ 74,545 128,430	17.8 26.3	$ 3,842 6,228	$ 3,092 4,660	24.3 33.6
Rickel Home Centers	7/28-4th qtr. 7/28-6 mos.	105,392 173,492	83,976 137,809	25.5 25.9	— —	—	— —
Scott's Seaboard	7/28-2nd qtr. 7/28-6 mos.	11,196 20,466	10,556 18,846	6.1 8.6	447 466	1,001 1,157	(55.3) (59.7)
Scotty's	6/30-4th qtr. 6/30-1 yr.	114,021 424,537	107,023 358,982	6.5 18.3	5,824 18,059	4,176 11,316	39.5 59.6

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 10/2	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		37¼	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		35	43⅜	33⅛	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5	15¼	4¾	—
Forest City (AMEX)	A	20⅛	21	13⅝	—
	B	20⅜	22⅜	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42¼	49⅜	36½	11
Home Depot (NYSE)		12½	29½	12⅞	25
Lowe's (NYSE)		21¾	26⅜	16¼	14
Michigan General (AMEX) [Diamond Lumber]		7⅛	14	4⅝	71
Pay 'N Pak (NYSE)		16	20	12¾	13
Payless Cashways (NYSE) [Furrow]		15¾	27	13½	13
Scotty's (NYSE)		14¾	16¾	11⅜	11
Southwest Forest Industries (NYSE) [Knox Lumber]		17	22½	12¼	—

Nasdaq—over-the-counter stocks

		As of 10/2	52-week High	52-week Low	P/E Ratio
Color Tile		16⅛	18¼	13⅝	—
Hechinger	A	19	24¼	13½	—
	B	19¼	24½	14	—
Homecrafters Warehouse		9½	17½	9½	—
National Lumber		5¼	13¼	5¼	—
Pay 'n Save		23¼	29¼	14⅜	—

Over-the-counter stocks

	As of 10/2 Bid	As of 10/2 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18¾	—	25¼	17
Hines Lumber	42¼	43½	44½	25½
Scotts Seaboard [Scott's]	1⅞	2⅜	4¾	1⅜
Wolohan Lumber	5	5⅛	7½	4

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FINANCIAL NEWS

Sales, earnings skyrocket in robust year at Scotty's

(Continued from page 5)

vertising and in-store personnel training, and hopes to see improvement in its overall operations as a result of forming an Operations Committee, on which sits several of the company's key executives.

On a more long term basis, the company plans to expand its direct import program from the Orient, and will be having more of the products it sells dropped shipped directly into its units. Last year, products shipped through this method of distribution accounted for 38% of the chain's sales.

However, Scotty's also introduced an automated flow rack system in its 860,000-sq.-ft. central distribution center earlier this year, and it appears likely that the chain will continue to handle the bulk of its goods out of that site, and the second DC it plans to build in Deerfield Beach.

In addition, Scotty's plans to open a 208000-sq.-ft. roof truss and millwork plant this fall, replacing the older facility at its central DC location which produced 5.7 million board feet of roof trusses nad $3.7 million in sales.

The new facility will also prefabricate interior and exterior prehung doors and bathroom vanities. In fiscal 1984, Scotty's made over 134,000 doors and 10,500 vanities.

Pay 'N Pak posts 24% earnings gain in 2nd qtr.

KENT, Wash. — Pay 'N Pak reported earnings of $3.84 million, or 38¢ per share, on sales of $87.8 million, for the second quarter ended Aug. 31. Earnings increased 24% over earnings in the same period in 1983 and sales rose 18% over the comparable period.

David Heerensperger, chairman and ceo of the 102-unit chain, said store-for-store sales at units three years old or older increased 11% in the second quarter.

For the six month period, revenue was $162.2 million, a 26% increase over the previous year's first half, and earnings were $6.22 million, an increase of 34% over the same period a year earlier.

During the quarter, the Yuba City, Calif., store was converted to Pay 'N Pak's new warehouse format. Warehouse conversions are scheduled to be completed by the end of the fiscal year at existing stores in Caspar, Wyo., Grand Junction, Colo., Billings, Mont., Fairbanks, Alaska, Kennewick, Wash., and San Jose, Calif.

Those conversions will bring to 18 the number of Pay 'N Pak stores operating under the warehouse format.

Lowe's August sales rise to set company record

NORTH WILKESBORO, N.C. — Lowe's Companies reported record sales for the month of August totaling $140 million, a 21% increase from the previous year and the largest single month in the company's history.

Contributing to the increase were $72.5 million in retail sales, up 28% from 1983's figure of $56.5 million.

Professional sales gained 13%, which the company attributed to "normal weather and firming of some commodity prices."

In related news, Lowe's opened its 242nd unit in Denbigh, Va., on Aug. 31.

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LUMBER REPORT

Indicator effect on interest rates could spark lumber market rally

NATIONAL REPORT — Lumber prices could rebound somewhat in the near future if interest rates begin to decline as the economy slows down.

Two successive months of housing start drops in July and August, which ended with a total of 1.54 seasonally adjusted units, is only one indication that the economy is cooling off. The Gross National Product has also dipped since the first half of the year.

These changes, according to *Palmer's Lumber and Plywood Forecast*, could "spark a rally in cash lumber prices."

However, the report notes, the continuing high level of lumber production in the United States will probably limit the duration of the price rebound.

Looking further out, to next year, production might be expected to ease, with a slack in demand anticipated because of a drop in housing starts.

The Western Wood Products Assn. recently predicted 1.65 million starts for 1985 compared with the 1.8 million units that it expects to be started this year.

As a result, the WWPA suggests that lumber demand for residential construction should fall 8.2% to 14.5 billion board feet. About 40% of lumber consumption is expected to go into housing next year.

Home center dealers are expected to continue the cautious and savvy buying that has characterized their participation in the lumber market for the past few years.

And repair and remodeling consumption of lumber is expected to continue its healthy rate of growth. The WWPA expects a 1.9% increase to 8.4 billion board feet in lumber consumed by this segment of the market.

This year about 8.2 billion board feet of lumber are expected to go into repair and remodeling, which is a 3.5% increase over the 7.9 billion board feet used in 1983.

In contrast, the WWPA expects total lumber consumption for 1985 to be off about 2% from this year. Total consumption in 1985 is projected to be 36.7 billion board feet compared with an estimated 37.4 billion board feet this year.

These numbers, then, reflect the WWPA's view of lumber consumption through next year. In the near future, whether prices rebound somewhat as suggested by *Palmer's*, remains to be seen. One figure supplied recently by the WWPA provided insight into why prices have been so low

Overproduction has been the reason offered by many. And those who point to overproduction often note that the lumber industry gained in efficiency during the last recession, allowing it to break even at low prices and keep production going.

There are countervailing arguments that say high stumpage prices have eliminated any efficiency gains. But the gains are there, according to the WWPA.

In 1979, "it took 4.5 men to produce 1 million board feet of lumber a year," a WWPA release states. "Today it only takes 3.43 men to produce the same amount, a 31% increase in productivity."

FUTURES

Two weeks ended Sept. 27, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov. '84	134.50	125.30	128.40	127.80	4,009	229.00	120.20
Jan. '85	145.30	135.50	138.80	138.30	2,017	221.30	130.30
March	155.20	146.30	149.60	148.40	947	220.40	139.30
May	163.20	155.30	157.50	157.50	256	225.00	147.00
July	170.50	164.00	168.50	167.50	294	230.50	153.00
Sept.	174.90	170.00	172.00	171.50	198	197.50	157.50
Nov.	176.50	173.00	173.00	174.00	67	186.10	167.30

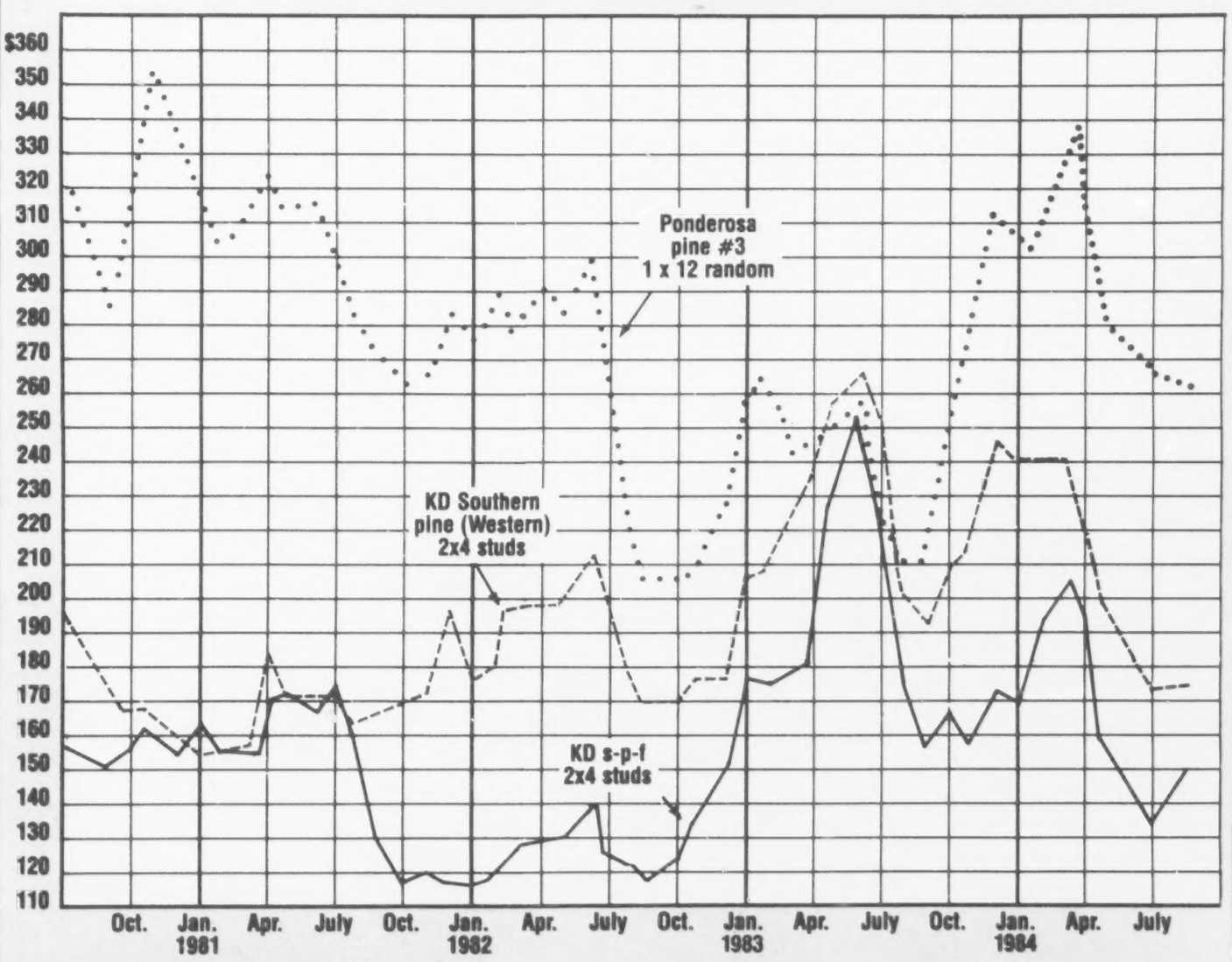
Total Contract Vol. (Through 9/27): 23,735
Total Open Interest (As of 9/27): 7,805 — **Previous Week: 8,045**
Cash Price: $136.22 — **Previous Week: $131.32** — **Year Ago: $156.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	251.4	253.6	253.4

CME—Chicago Mercantile Exchange
*Figures for Thursday, Sept. 27.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



August lumber prices were buoyed in the beginning of the month by late July's signal from the Federal Reserve that a tightening of the money supply was not imminent.

By the end of August, however, prices had evened because of heavy production and limited demand at the end of the building season.

Ponderosa No. 3 pine 1 x 12 boards sold for $262 per thousand board feet in August compared with $269 in July. KD Southern pine studs were about even with July at $176 per thousand board feet, while KD s-p-f studs were up to $150 per thousand board feet from $136 in July, which reflects the price surge early that month.

Source: *Random Lengths*

Gee Lumber revamps ads to tout 'better than warehouse' pricing

CHICAGO — Potential customers opening their Sunday newspapers, or picking up their direct mail from the mailbox, have been noticing changes in Gee Lumber's circulars recently.

The characteristic black, white and yellow newsprint tabloids have less cluttered front and back pages now, with fewer items listed than before.

Also, the circulars are based on themes, which are coordinated with Gee Lumber's broadcast advertising, and in the stores' point-of-purchase displays.

The increasing competition in the Chicago marketplace has been cited as one factor behind this streamlining of Gee Lumber's advertising program.

Forest City opened five warehouse stores here this spring and summer, backed by a strong TV, radio and print campaign. Also, Handy Andy has gone onto TV for the first time this year, spending over $300,000 on nonco-op TV advertising in the first six months of 1984. And K mart's first Builders Square units are set to roll out this month.

Faced with expensive ad campaigns such as these, Gee Lumber's president, Jim Gee Jr., decided that some changes were needed in his own campaign.

Shifting emphasis

However, he has kept costs within the old budget by looking to make "qualitative rather than quantitative" changes. "We spend a certain per cent of sales on advertising," he said. "Although our ad budget increases in proportion to sales increasing, we are making more efficient, better quality ads, rather than spending more money."

Yet the growing competition wasn't the only pressure pushing for change in Gee Lumber's ad program. Jim Gee himself had begun to feel dissatisfied with it. "I had begun to feel that our circulars were beginning to get boring," he said. "It was time for a change."

By cutting down on the number of stock keeping units listed in the circulars, and "cleaning up" the front and back page designs, Gee feels the 13-unit chain has more effective circulars.

"We made sure that people still recognize them as Gee Lumber circulars, and not anybody elses," he added, "but they are more eye-catching now."

Besides the graphic design changes, Gee is careful that the products promoted on the front page are clearly different products to what the competition is offering on special.

"We want to be seen as a unique company," he said.

In fact, Gee Lumber may be one of the first home center chains to reject the "we have warehouse prices" bandwagon. The theme of its September circulars was "Don't miss our better than warehouse prices!"

Other themes are planned as well: "We will be running a card game theme with the punch line 'Have we got a deal for you!' quite soon," said Gee. "And others are in the works."

Although Gee Lumber's circulars—some 16 issues are produced each year—are its main advertising vehicle, Gee is now looking more closely at radio and television.

"We've not done much TV, in particular, because local TV broadcasts cover a much broader market area than that which our stores serve," said Gee. "Our units are located in the south, west and southwest, while the northern parts of the city aren't covered by us at all."

Radio, said Gee, has proved to be a much more viable advertising medium for the company, "and we are continuing with that."

However, now that home center market conditions in Chicago are changing, and Gee Lumber is looking to change to the quality and efficiency of its advertising, "who knows what will happen in the future?" said Gee.

Black & Decker is the official supplier of power tools for the Statue of Liberty's restoration project. Company engineers are also providing their expertise in helping to develop restoration techniques and tools to keep Liberty "alive" and standing in New York Harbor.

Black & Decker pitches in to Miss Liberty's face-lift

PHILADELPHIA — Since mid-summer, Black & Decker has been involved with a promotion highlighting the fact it is the official supplier of power tools and accessories to the Statue of Liberty's restoration project.

Also, it is helping develop new restoration techniques and tools for the project.

Further attempts

Although this particular promotion ends on Oct. 31, other publicity drives like it will be used throughout the period of the famous statue's restoration.

Seventy four power equipment models, including professional power drills, right angle grinders and bench grinders, were included in this promotion.

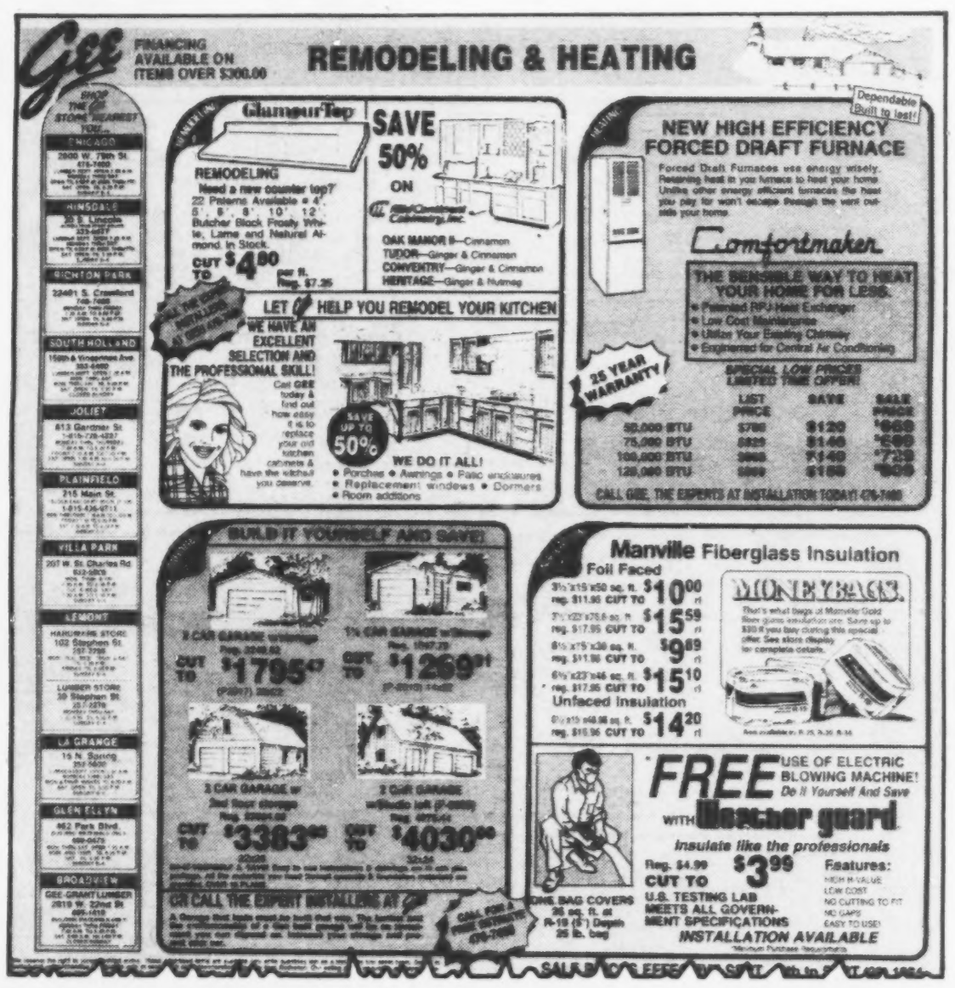
If a customer bought a "qualified" power equipment model, Black & Decker offered to contribute $5 to the restoration fund in the customer's name.

The customer also received a pair of work gloves imprinted with the Statue of Liberty and Black & Decker logos, as well as a certificate acknowledging the contribution.

This publicity drive was backed by a national advertising campaign that included network TV spots during the evening news. It was available to professional, as well as DIY, dealers.

The manufacturer has not decided which power tools to include in next year's spring promotion.

Drills, grinders and wood cutting tools are being used in the restoration of Liberty. In addition, Black & Decker engineers are developing new restoration techniques and tools for Liberty's refurbishment.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WE HAVE AN EXCELLENT SELECTION AND THE PROFESSIONAL SKILL!
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WITH Weather guard
Insulate like the professionals
Reg. $4.99 CUT TO $3.99
Features:
U.S. TESTING LAB MEETS ALL GOVERNMENT SPECIFICATIONS
INSTALLATION AVAILABLE

Gee Lumber claims that its prices are "better than warehouse," as part of a newly streamlined program, where circulars, broadcast media and point-of-purchase displays are coordinated around a single theme.

Eighteen chains top $300,000 in half year advertising figures

(Continued from page 3)

None of the $14.5 million that the "top 20" home centers spent between January and June 1984, includes co-op dollars. All co-op funded ads are credited to manufacturer ad budgets by the BAR.

West Building Materials had the biggest ad expenditure climb—a 764% increase—in the first half of this year. Although no one at West would comment on the rise, increased centralization coupled with changes in merchandising and advertising strategies (*NHCN*, Aug. 27) are probably behind this expenditure growth.

Home Centers of America's 608% expenditure increase—it has rocketed from $84,000 spent last year to almost $600,000 this year—is partly due to the fact that no Home Centers of America stores existed until May 1983.

By Jan. 1 of this year, the San Antonio-based warehouse chain had five stores, which had increased to nine units by the end of June this year.

Another home center chain that has been repositioning itself in the marketplace in an attempt to gain more DIY customers this year has been 84 Lumber (*NHCN*, May 21). The 374-unit chain's TV ad expenditures rose 287% in the first half of this year, reflecting its first major "drive" into TV advertising.

Another newcomer to the "top 20" list is Chicago-based Handy Andy, a company that did not advertise on TV until this year. Although company president, Ronald Rashkow, would not comment on the ad campaign, or say why Handy Andy has started one now, its entry into the TV ad fray reflects the increasing competition occurring between home centers in the Chicago marketplace.

For instance, Cleveland-based Forest City opened five warehouse stores in the city this year, backed by a strong TV ad campaign. And K mart this month is set to open its first three Builders Square units, which will be operated by Home Centers of America, its new subsidiary.

Although Payless Cashways (not including Furrows or Lumberjack) showed a small decline in TV ad expenditures over the first half of the year, according to the BAR figures, Builders Emporium had the largest drop.

The Irvine, Calif.-based chain had a 44% drop in expenditures from over $1 million last year to $774,400 during the same period this year.

These declines may be due to BAR only monitoring TV stations in one-out-of-four weeks, making it possible that a three-week-or-less TV ad campaign could be missed in some markets.

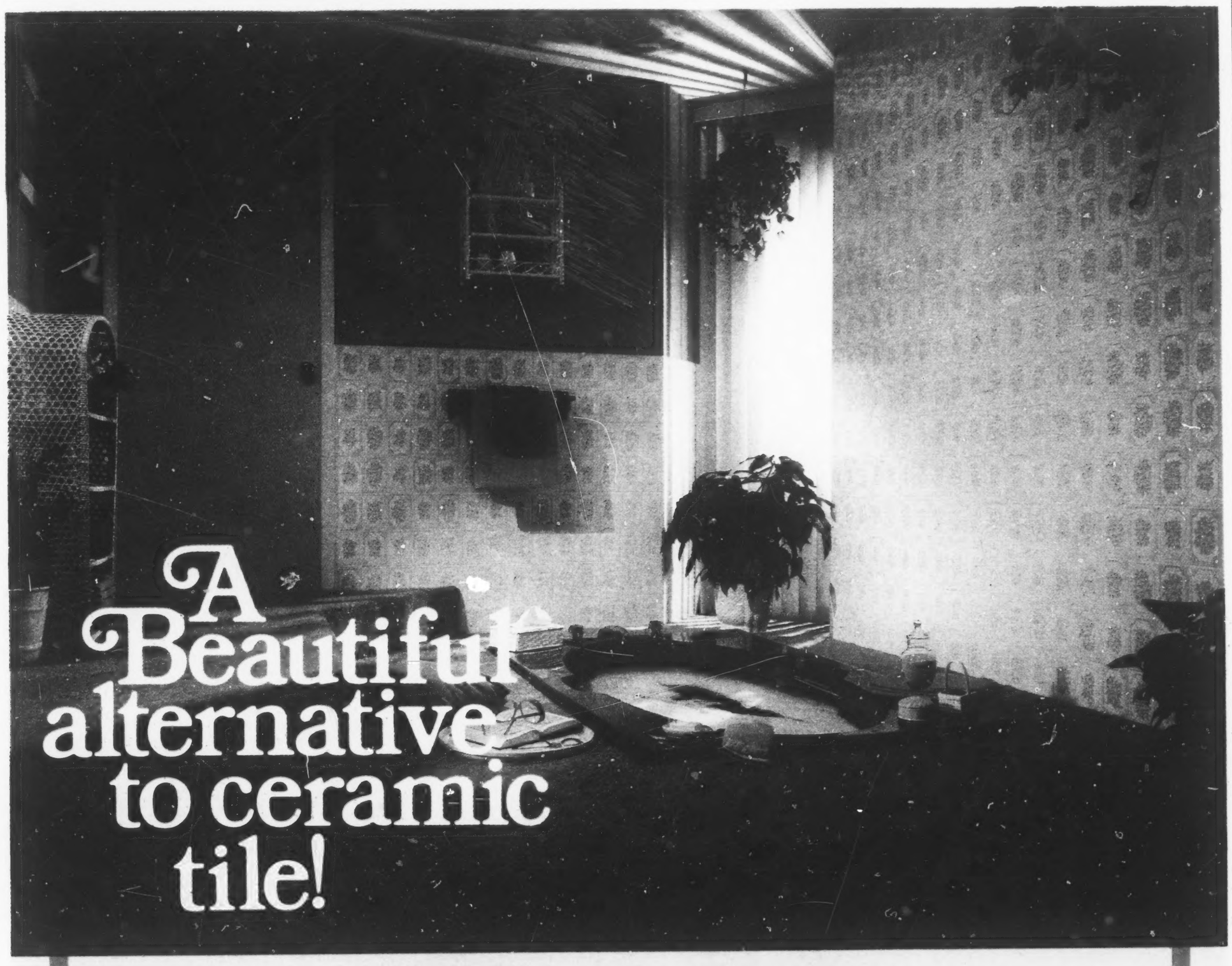
Dale Pond, vice president of marketing at Payless, feels the BAR monitoring method accounts for his company's apparant ad budget decline. "Our TV and print ad expenditures are up considerably this year."

No one at Builders Emporium was available for comment.

Building permits by state: 1st half 1983 vs. 1st half 1984

	Total permits			Single family permits		
	1983	1984	% change	1983	1984	% change
Northeast	73,097	88,505	21.1%	48,427	62,912	29.9%
Connecticut	7,089	8,522	20.2	4,868	6,253	28.5
Maine	1,564	2,763	76.7	1,331	1,598	20.1
Massachusetts	10,575	13,372	26.4	6,993	9,836	40.7
New Hampshire	3,463	4,270	23.3	2,187	3,078	40.7
New Jersey	15,154	18,116	19.5	11,126	14,064	26.4
New York	15,530	20,179	29.9	8,551	11,650	36.2
Pennsylvania	15,795	17,380	10.0	11,339	13,897	22.6
Rhode Island	1,713	1,793	4.7	1,117	1,232	10.3
Vermont	2,214	2,110	– 4.7	915	1,304	42.5
South	426,746	436,618	2.3	228,809	233,180	1.9
Alabama	7,566	8,587	13.5	4,189	4,379	4.5
Arkansas	4,888	5,548	13.5	1,934	2,555	16.6
Delaware	1,678	1,971	17.5	1,165	1,373	17.9
District of Columbia	113	281	148.7	30	41	36.7
Florida	91,149	107,423	17.9	49,674	55,819	12.4
Georgia	36,642	38,814	12.0	21,602	23,729	9.8
Kentucky	4,762	6,175	29.7	2,792	3,070	10.0
Louisiana	17,057	16,750	– 1.8	9,037	8,133	–10.0
Maryland	18,800	17,631	– 6.2	14,402	14,792	2.7
Mississippi	3,909	5,532	41.5	2,304	2,936	27.4
North Carolina	22,586	26,723	18.3	15,995	17,385	8.7
Oklahoma	20,906	14,428	– 31.0	10,518	8,346	–20.7
South Carolina	13,296	18,099	36.1	8,826	10,135	14.8
Tennessee	12,421	19,007	53.0	7,259	7,323	0.8
Texas	146,476	118,330	– 19.2	157,146	50,332	–11.9
Virginia	25,460	30,262	18.9	21,304	22,474	5.5
West Virginia	1,037	1,057	1.9	632	658	4.1
North Central	85,565	100,037	19.7%	56,779	62,639	10.3%
Illinois	12,060	14,957	24.0	8,226	9,833	19.5
Indiana	7,261	10,175	40.1	8,226	9,833	19.5
Iowa	3,101	3,225	4.0	1,782	1,937	8.7
Kansas	6,606	7,474	13.1	4,022	3,754	– 6.7
Michigan	10,261	13,317	29.8	7,300	8,863	21.4
Minnesota	11,517	12,758	10.8	8,087	8,126	0.5
Missouri	8,543	11,088	29.8	6,007	6,435	7.1
Nebraska	2,665	2,809	5.4	2,138	2,032	– 5.0
North Dakota	2,059	1,332	– 35.3	648	641	– 1.1
Ohio	11,278	12,893	14.3	7,679	8,190	6.7
South Dakota	838	1,467	71.5	712	852	19.7
Wisconsin	7,376	8,542	15.8	5,132	5,805	13.1
West	186,811	245,991	31.7	116,795	125,654	7.6
Alaska	6,515	3,644	–44.1	2,983	1,821	–39.0
Arizona	32,945	45,209	37.2	16,015	17,191	7.3
California	76,439	118,996	55.7	49,133	61,902	26.0
Colorado	23,902	24,526	2.6	15,688	13,223	–15.7
Hawaii	2,366	2,859	20.8	1,796	2,161	20.3
Idaho	2,189	2,243	2.5	1,891	1,717	– 9.2
Montana	1,314	1,455	10.7	821	837	1.9
Nevada	8,238	6,897	–16.3	4,812	4,031	–16.2
New Mexico	5,202	9,062	74.2	4,236	4,390	3.6
Oregon	4,744	4,480	– 5.6	3,725	3,622	– 2.8
Utah	6,516	8,807	35.2	4,247	4,247	0.0
Washington	15,030	16,806	11.8	10,439	9,778	– 6.3
Wyoming	1,411	1,007	–28.6	1,009	734	–27.3

Source: Bureau of the Census, compilation by NAHB Economics Division



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Maximize inventory turn-over. Maximize GMROI.

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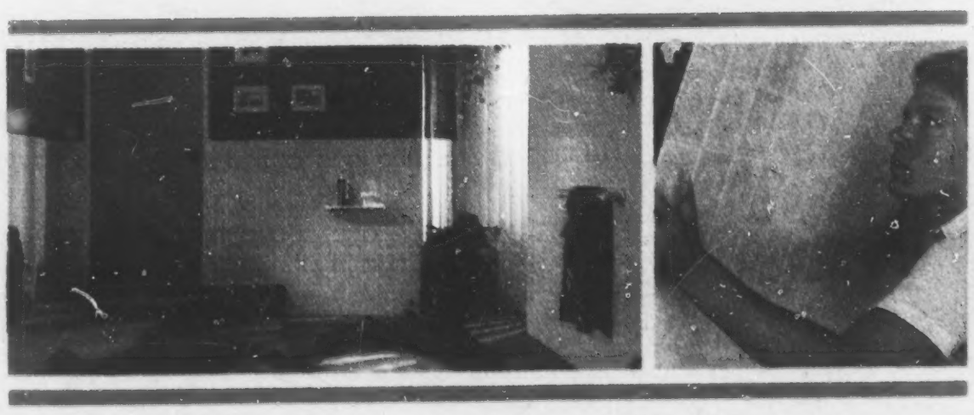

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Residential construction spurs home expansion

WASHINGTON — Economic growth in the United States in the first half of 1984 was helped by strong residential construction. Building permits rose by 13% compared with the same period in 1983.

There were strong regional differences in housing. The West had a 32% gain in building permits whereas the South rose by only 2.3%. There was also great variation within the four census regions. In the South, Florida gained in housing whereas energy states like Oklahoma lost.

These are some of the results of the "Greatest Winners and Losers" (see charts), a listing compiled by the National Assn. of Home Builders.

(Continued on page 54)

Biggest winners total starts
(first six months of 1984)

State	% gain total starts
Dist. of Columbia	148.7
Maine	76.7
New Mexico	74.2
South Dakota	71.5
California	55.7
Tennessee	53.0
Mississippi	41.1
Indiana	40.1
Arizona	37.2
South Carolina	36.1

Source: Census Bureau, NAHB Economics Division

Biggest losers total starts
(first six months of 1984)

State	% loss total starts
Alaska	–44.1
North Dakota	–35.3
Oklahoma	–31.0
Wyoming	–28.6
Texas	–19.2
Nevada	–16.3
Maryland	– 6.2
Oregon	– 5.6
Vermont	– 4.7
Louisiana	– 1.8

Source: Census Bureau, NAHB Economics Division

PRICE POINT SURVEY

Power spray painter

Store and location	Date	Specifications	Advertised price (Reg. price)
Central Hardware, Bridgeton, Mo.	9/17	Heavy duty power spray, Wagner, No. 200	$ 79.99
Furrow Building Materials, Kansas City, Mo.	9/18	Heavy duty power spray, Wagner, No. 200	$ 88.88
Handy City, Nashville	9/23	Heavy duty power spray, Wagner, No. 200	$ 89.88

Source: *NHCN* research

Private label paint

Store and location	Date	Specifications	Advertised price (Reg. price)
Scott's, Linthicum, Md.	9/15	Scott's, interior wall paint, flat, 1 gal.	$ 9.38 ($11.99)
Homecrafters, Birmingham, Ala.	9/18	Homecrafter's interior wall paint, flat, 1 gal.	$ 9.97 ($14.97)
Builderama, Savannah, Ga.	9/11	Builderama Supreme 8, interior wall paint, 1 gal.	$ 9.99 ($14.99)
Stambaughs, Youngstown, Ohio	9/22	Stambaugh's Supreme, latex interior wall paint, flat, 1 gal.	$ 9.99

Wood stain

Store and location	Date	Specifications	Advertised price (Reg. price)
HomeClub, Los Angeles	9/6	Olympic, solid color stain, 1 gal.	$ 9.42
Somerville Lumber, Somerville, Mass.	10/8	Olympic, solid color stain, 1 gal.	$12.39 ($15.39)
Triangle Building Centers, Quakertown, Pa.	9/22	Olympic, solid color stain, 1 gal.	$12.49
Diamond Lumber, Spokane, Wash.	9/15	Olympic, solid color stain, 1 gal.	$12.99

Source: *NHCN* research

Paint roller and tray

Store and location	Date	Specifications	Advertised price (Reg. price)
Moore's, Petersburg, Va.	10/6	9-in. tray	$1.49
Church's Lumber Yards, Detroit	9/26	9-in. tray	$1.77
Channel, Whippany, N.J.	9/9	9-in. tray	$1.97
Central Hardware, Bridgeton, Mo.	10/1	9-in. tray	$1.99

Residential construction spurs home expansion

(Continued from page 52)

Building permits and starts are a barometer of the economic climate. Permits are indicators of future housing construction although not all areas of the United States require builders to buy permits before beginning construction. Therefore, permits can underestimate future housing starts by as much as 10%.

The West, with its migration and new job opportunities saw a sharp increase in housing activity in the first half of 1984. California topped the winners table; building permits were up nearly 56% compared with the previous year. Strong gains were also made by another western state, Arizona, where permit activity increased 37%. The cities of Phoenix and Tucson were very much responsible for the state's rapid housing growth.

The South remains a region of contrasting economic strengths, which is reflected in its varied housing pattern. In Florida, employment has grown by 5% since last June and building permits rose by nearly 18%. West Palm Beach, Orlando and Tampa remain the leading areas of housing activity.

Other areas of the South were losers and Texas and Oklahoma topped the biggest loser charts, down 19%, and 31%, respectively, in building permits. Both states reflect the misfortunes of energy-oriented states in the South. Texas is suffering from overbuilding.

Some of the most interesting changes took place in the Northeast where a strong economy pushed total permit activity to 21% above the 1984 period. Single family housing gained 30% with New York and New Jersey ranked third and fourth in the greatest winners table after California and Florida.

Biggest winners 1-family starts
(first six months of 1984)

State	% gain single family starts
Vermont	42.5
Massachusetts	40.7
New Hampshire	40.7
Dist. of Columbia	36.7
New York	36.2
Connecticut	28.5
Mississippi	27.4
New Jersey	26.4
California	26.0
Pennsylvania	22.6

Source: Census Bureau, NAHB Economics Division

Biggest losers 1-family starts
(first six months of 1984)

State	% loss single family starts
Alaska	–39.0
Wyoming	–27.3
Oklahoma	–20.7
Nevada	–16.2
Colorado	–15.7
Texas	–11.9
Louisiana	–10.0
Idaho	– 9.2
Kansas	– 6.7
Washington	– 6.3

Source: Census Bureau, NAHB Economics Division